The short-term economic consequences of insecure labour market positions in EU-28

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- to advance the knowledge base that underpins the formulation and implementation of relevant policies in Europe with the aim of enhancing the employment of young people and improving the social situation of young people who face labour market insecurities, and

- to engage with relevant communities, stakeholders and practitioners in the research with a view to supporting relevant policies in Europe. Contributions to a dialogue about these results can be made through the project website http://www.except-project.eu/, or by following us on twitter @except_eu.

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Responsibility for all conclusions drawn from the data lies entirely with the authors.
Key findings

This paper was created as a part of the project: “Social Exclusion of Youth in Europe: Cumulative Disadvantage, Coping Strategies, Effective Policies and Transfer, EXCEPT”. It aims at describing the socio-economic consequences of early job insecurity and unemployment of youth in Europe, referring to income poverty as well as objective and subjective material deprivation.

Main results of this report are summarized below:

**Poverty**

- In most of the EU countries (except: the Netherlands, Malta, Estonia, Latvia and Lithuania), young people are at the higher risk of poverty than people aged 30-59. The most significant difference between youth and prime age population occurs in Denmark.

- Poverty rates of young people vary across Europe. The highest share of youth at the risk of poverty is in Greece, Romania, and Denmark the lowest in the Netherlands.

- Educational attainment is a very important factor associated with the risk of poverty. The low educated youth from Bulgaria and Slovakia have five times higher risk of being poor than youth with upper secondary education, while for example in the Netherlands the gap is much smaller.

- There is not uniform association between gender and risk of poverty in the EU. In most countries, the relationship is not statistically significant.

- Young immigrants are more vulnerable to poverty, for example in Belgium and Slovenia they are at three times higher risk of poverty than their native-born counterparts.

- Living arrangements also matter for risk of poverty. In majority of European countries younger youth aged 16-24 are more likely to be poor than their older counterparts, while those who live with parents are protected against poverty in many EU countries.

- Mobility out of poverty varies a lot across Europe, and it is lower for youth than for the general population. Between 2010 and 2013 in the UK, the Czech Republic and France youth experienced just a temporary poverty, while in Croatia, and Hungary, their chances to escape poverty were much lower.

- In the majority of EU-28 countries young unemployed people are more likely to be poor than the ones who work, and this holds also after controlling for personal and family characteristics (except Belgium, France, Netherlands and Sweden).
In most of the EU-28 countries youth are in worse situation than they were before the financial crisis (except the Netherlands, Finland, the UK and Poland risk-of-poverty rate decreased).

While in the majority of EU-28 the poverty rates among employed youth have increased since 2006, the unemployed were hit by the crisis only in a half of the European countries (mostly in the Southern Europe). At the same time in ten countries (some New Member States, the UK and Ireland), the share of poor among unemployed decreased in 2013/2014.

**Material deprivation**

- In most of the EU countries (except Latvia) youth more often live in materially deprived households than people aged 30-59.
- In Greece, Romania, Hungary and Bulgaria youth experience not only high poverty risk but also severe material deprivation. Interestingly, in Scandinavian countries, where the risk of poverty is relatively high, young people are not hardly affected by material deprivation.
- There is a clear pattern between educational attainment and material deprivation in some of the EU countries. For example, more than 50% of youth with no more than lower secondary education cannot afford basic durable goods (such as car, TV set, etc.) in Greece, Romania, Hungary and Bulgaria, while the share of materially deprived youth in Luxembourg, the Netherlands and Austria is very low and there are no large differences between educational groups.
- There is no uniform association between gender and the experience of material deprivation.
- In general, young people who were born abroad are more likely to be materially deprived than young natives are. Only in Luxembourg, Malta, UK and Croatia there is not a significant difference between immigrants and natives in this respect.
- Mobility out of material deprivation varies across Europe. In Spain, Slovenia, and Cyprus the mobility out of material deprivation is high: the situation of over 60% of young people who lived in materially deprived households improved in the subsequent year. The opposite is true for Bulgaria, Hungary, Poland and Croatia.
- Although, on average, in the EU-28 only 8% of working youth declared living in severely materially deprived households, the variation across countries is large. While in Romania 29% of employed youth live in severely deprived households,
less than 1% of employed youth from Scandinavia or the Netherlands experience such material deprivation.

- Being unemployed increases the chance of living in a severely deprived household. However, a statistically significant association was found only in six EU countries.

- The impact of the recent economic downturn on the material situation of youth was not uniform across the EU. The rate of youth living in severely materially deprived households decreased in Slovakia, Lithuania, Latvia, Poland and Bulgaria, while in majority of EU countries an opposite change happened.

**Subjective financial situation**

- In all European countries, subjective measures of financial situation point towards a worse situation that emerges from objective indicators of poverty and material situation. This tendency is similar among youth and prime age population.

- Similar to previously reported results for objective measures, the financial distress reported by young people is larger than the financial problems of the prime age cohort.

- On average, in the EU-28, almost 40% of young people are concerned about their financial situation. While in Greece there is more than 80% of those who report difficulties in making ends meet, in Finland and Sweden it is less than 10%.

- In all analysed countries, graduates are less likely to show dissatisfaction with their financial situation than those with lower secondary education, although the gap is smaller when objective measures are examined, showing higher financial aspirations of educated youth (or lower financial aspiration of low educated group).

- Young women report financial difficulties less frequently than young men (except Denmark) do, although the differences are statistically significant only in ten countries.

- On average, in the EU, 28% of young employees declared that their household is managed with difficulty, while for unemployed this figure reached almost 54%.

- We have not found evidence of statistically significant differences in subjective financial situation by employment type (part-time versus full-time). However, in the majority of EU-28, young employees on permanent contract are more satisfied with their financial situation than their counterparts with temporary positions.
• The recent economic downturn enhanced feelings of financial insecurity among young people in most European countries (except Poland, Latvia, Lithuania, Slovakia and Bulgaria).

• Among unemployed youth, the highest increase of pessimism about the ability to making ends meet after the crisis is in Cyprus, Greece, and Spain.

Introduction

This working paper focuses on the socio-economic consequences of early job insecurity and labour market exclusion (unemployment) of youth in Europe, referring to both monetary aspects (income poverty), as well as objective/subjective deprivation. The aim of the paper is to provide a descriptive, quantitative background for further studies on this topic. To fulfil this aim, we use the most recent cross-sectional and longitudinal micro data from EU-SILC.

The working paper is structured as follows: the first section describes the financial and material situation of youth in comparison to prime age population. The analysis of dynamics of poverty and material deprivation follows. In the subsequent section, we look at the objective levels of income poverty, as well as at subjective perceptions of material deprivation of young people with a typical risk profile defined mainly by their gender, level of education, and immigration status. The next section, addresses several issues: first, to which extent young individuals excluded from the labour market are affected by poverty and deprivation, and second, if there is any association between insecure labour market positions and monetary and material deprivation. The last section evaluates the impact of the recent economic crisis by comparing the situation across time: before and after the crisis.

There are several challenges related to the analysis of the socio-economic consequences of job insecurity and labour market exclusion. One of them relates to the fact that the majority of available indicators of poverty and material deprivation are measured on the household level. Therefore, the fact that a young person lives under the poverty line might depend more on the overall work intensity of all adults of the household, than on his/ her own labour market activity. This is especially important in the view of a huge variation in living arrangement across EU-28. According to Eurostat (yth_demo_050), on average in the EU, 66% of young people aged 15-29 still lives with their parents. However, there is a large variation across countries. In Denmark and other Scandinavian countries this share is around 30%. Countries like Hungary, Malta, Italy, Croatia and Slovakia are at the other end of the scale, where the share of young people still living with parents exceeds 80%. Youth living with parents may be protected against poverty, but also they influence the household income statistics if they do not contribute to the family budget (Aassve, Iacovou, and Mencarini 2006).
For that reason, we have to be extremely cautious in drawing very crucial conclusions based on the short-term description, as the observed cross-country differences in youth economic situation might be driven, and partly explained, by the differences in youth living arrangement, and cultural factors associated with material autonomy.

Another confounding factor is that poverty line - one of the main financial indicators - is country specific. Income threshold used for calculation of the poverty line depends on the income distribution of the specific country and does not take into account inequality between member states. Taking into account the huge income dispersion across the different European countries – especially between Old and New Members, being poor in rich country means a very different thing that being poor in a less economically successful country. Therefore, while comparing this indicator between EU-28, we should be aware that it might depict slightly different situations, and country specific backgrounds should be taken into account.

It is also important to mention the indicators presented above should be treated as complementary rather than substitute measures of socio-economic situation. Just to mention few differences between poverty and material deprivation measures:

- poverty line is country specific, depends on income distribution and cannot be easily compared between countries, especially in the case of countries that vary a lot in respect to income level and distribution; material deprivation is more universal, and it is defined exactly in the same way in all EU countries. Therefore, it is comparable between countries.

- poverty line is based on the income which is measured just in one moment in the time so it depicts a rather temporary situation; rather, the material deprivation indicator refers to permanent, accumulated wealth

- poverty line based on the income is very precise, whilst material deprivation is vaguer, the questions on which the indicator is based do not specify the quality neither value of goods available at the household (20 years old telephone or TV set is treated equally to a recently purchased).

As there is no one homogenous measure of socio-economic situation, which could express all dimension of this area, we have decided to use several indicators of objective and subjective deprivation and poverty measures. Table 1 summarizes indicators used in this paper, while detailed definition follows in the next chapter.

Table 1: Socio-economic situation indicators

<table>
<thead>
<tr>
<th>Objective</th>
<th>Personal level</th>
<th>Household level</th>
</tr>
</thead>
<tbody>
<tr>
<td>FINANCIAL</td>
<td>Hourly earnings (only if possible to distinguish the monthly earnings and hours of work)</td>
<td>HH disposable income after tax and transfer (yearly)</td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>Indicator</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty indicator</td>
<td>Being under 60% of median HH yearly income after tax and transfer</td>
</tr>
<tr>
<td>MATERIAL Indicator</td>
<td>to not be able to afford four out of nine items; definition will follow, based on EUROSTAT</td>
</tr>
<tr>
<td>Subjective FINANCIAL</td>
<td>Satisfaction with financial situation (only in 2013, EU_SILC: wellbeing module)</td>
</tr>
<tr>
<td>Indicator of perceived financial distress (based on the questions about ability to make ends meet)</td>
<td></td>
</tr>
</tbody>
</table>

Definitions and data

EU-Statistics on Income and Living Conditions

The main data source for this report comes from the EU-Statistics on Income and Living Conditions. This is the most relevant data source as it compiles statistics on subjective and objective aspects of income and living conditions for households and individuals across the EU countries, both by using a cross-sectional and a longitudinal design. The survey also contains questions about both labour market status and household composition and characteristics, which are crucial for our analysis. However, the EU-SILC is not based on a common questionnaire, but on the common guidelines and procedures, which can influence the cross-country comparisons. The differences between countries might also arise from the diverse definition of the income reference period. For most countries, it refers to a fixed previous calendar or tax year, while for the UK, it refers to the current year and for Ireland – income data is reported for the last 12 months before the interview.

Data availability resulted in the adoption of certain definitions and measures of material and financial situation - described in detail below. As we are interested mainly in a youth cohort, who already have entered or can enter the labour market, we have limited our sample to respondents aged 16-29 who in the income reference year were not in education. Additionally, we have excluded those who were in obligatory military or social work service. We use cross-sectional data from 2006 until 2014 (EU-SILC cross-sectional UDB 2014-1), and longitudinal data from 2013 (EU-SILC longitudinal UDB 2013-2). Due to the small sample size, we use polled cross-sectional data from 2013 and 2014 for the most recent period, and data from 2006 and 2007 for a period before crisis.

Hourly earnings

Hourly earnings are calculated on the basis of gross monthly earnings for employees in their main job, which are then divided by the number of hours usually worked per week in the main job.
**Household disposable income**

Household disposable income is a variable derived by the Eurostat, and available within the EU-SILC microdata. Equivalised disposable income is the total income of a household that is available for spending or saving, divided by the number of household members converted into equivalised adults (as in modified OECD equivalence scale).

**Poverty indicator**

The measure of income poverty is based on country specific poverty line. For each member state the income threshold is equal 60% of the median value of equivalised (adjusted per person, and person age) disposable income after tax and transfer. Respondents from a household in which this threshold is not met are treated as at the risk of poverty.

**Indicator of material deprivation**

We construct material deprivation indicator on the basis of several questions from EU-SILC which are related to the enforced lack of items depicting material living conditions, such as capacity to afford basic requirements, possession of consumer durables, and household conditions. We assume that a respondent lives in materially deprived household if he/she cannot afford at least four of the following nine items:

- to pay their rent, mortgage or utility bills;
- to keep their home adequately warm;
- to face unexpected expenses;
- to eat meat or proteins regularly;
- to go on holiday;
- a television set;
- a washing machine;
- a car;
- a telephone.

**Satisfaction with financial situation**

This indicator is based on a variable from a special EU-SILC module from 2013. The variable refers to the respondents’ opinion/feeling about the degree of satisfaction with the financial situation of their household. The respondents could indicate their level of satisfaction on the scale 0-10, where 0 denotes 'not at all satisfied' and 10 refers to 'completely satisfied'.


**Indicators of perceived financial distress**

The measure of perceived financial distress is based on the following question asked to the household reference person: ‘Thinking now of your household’s total income, from all sources and from all household members, would you say that your household is able to make ends meet?’. Respondents could choose from six response categories ranging from: with great difficulty to very easily. The values were recoded into a dichotomous variable with the value of one for respondents who reported great difficulty or difficulty in making ends meet, zero for those who choose other answers.
Chapter 1: Income, poverty and material deprivation in EU-28

This chapter provides an overview of the financial and material situation of young people from the EU countries in 2014. We first present the comparison of objective measures of poverty and income inequality of young people (aged 16-29) against the results for prime age population (aged 30-59). We also consider the subjective feeling of financial difficulties – inability of making ends meet, once more presenting the information for both cohorts. This allows not only for youth between-country comparison but also illustrates the within country disproportion of material and financial deprivation among different age groups.

Overall statistics of poverty and material deprivation

Firstly, we focus on youth who face a problem of poverty. According to our definition, those whose income is below the 60% of the national median equivalised disposable income are considered poor.

As we can see in Figure 1, the poverty indicator varies considerably across European countries: the best situation occurs in the Netherlands, where not more than 6% of youth are at the risk of poverty, the worst results are for Romania and Greece. In Greece, the share of youth living under the poverty level is almost two times higher than the mean for all European Union countries (17%). Surprisingly, the third highest result is for Denmark, where 24% of youth are at the risk of poverty. Although Denmark is a prosperous country and the unemployment rate for recent school leavers is much below the EU28 average (Rokicka et al. 2015), it seems that youth may be facing some difficulties there comparing to the rest of population. Such a result could be a consequence of the high degree of youth autonomy. In Denmark, only 20% of young people aged 16-29 who finished their education still lives in the parental house. Apparently, the outcome for most of the Danish youth stems from the fact that they are more likely to live on their own than other young Europeans. However, young Danish people do not seem to be severely deprived as indicators for material deprivation and inability of ends meet for Denmark are below the EU average.

In most of the EU countries, young people are at the higher risk of poverty than people aged 30-59. The most significant difference between youth and prime age population appears in Denmark (difference of 18 percentage points). We have not found a statistically significant difference in the risk of poverty between youth and prime age population in the Czech Republic, Slovakia, Ireland, the UK, Poland and Croatia. On the other hand, in the Netherlands, Malta, Estonia, Latvia and Lithuania youth seems to be in the better situation than people aged 30-59.
Similar pattern can be found in the Figure 2, which presents the distribution of youth living in the households with the lowest and the highest income. In the whole population, each income group represents the 20% of the total population. In the case of youth and their households, in more than half of EU countries there is overrepresentation of them in the lowest income group, and underrepresentation in the highest income group. While for the prime age population this distribution is almost the same as in the total population. The biggest disproportion between poor and rich is observed in Denmark, where there are 7 times more youth in the lowest income group (1st quintile) than in the highest income group (5th quintile). A quite high difference occurs also in Finland and Sweden (3 and 2.5 times respectively). In contrast, there are countries like Estonia, Malta, Latvia or Czech Republic, where youth are in the better situation than the total population, as the highest income group is overrepresented and the lowest is underrepresented. The interesting findings are for Hungary and Romania. In these countries youth are overrepresented in the lowest income group. At the same time they are overrepresented in the highest income group too. It suggests that youth population is polarized in these two countries.
In order to overcome the drawback of household related measures of financial and economic situation, we have also checked the earnings distribution, which are available at the individual level. Young people have much shorter work tenure than workers aged 30-59. Hence, the difference between youth and prime age workers’ earnings should not be surprising. In fact, earnings are strongly correlated with the work experience, which is well described in economic theory and confirmed empirically (eg. Mincer, 1974). Moreover, young people have non-standard working arrangements more often than their older counterparts (Rokicka et al. 2015), which also might result in differences in earnings. Figure 3 presents the youth-prime workers monthly earnings ratio (youth’s mean of monthly earnings divided by prime workers’ mean of monthly earnings. We can see that there are some visible differences between countries in youth-prime workers earnings ratio. As in Ireland youth’s earnings account for 60% of the earnings of more experienced workers in Bulgaria, Estonia and Latvia this ratio is close to 100%. However, we do not control for the sector, industry or any other job and person characteristics, so it is possible, that young people work in different sectors than the rest of population, and are better educated which may explain why the age related wage gap is relatively small. Thus, this aspect needs further investigation in more detailed analysis with control for other factors.
One of the main symptoms of household’s poverty is enforced lack of durables or inability to pay the bills, rents or inability to afford holidays. Our measure of material deprivation was defined in the introduction. If a household cannot afford more than four out of nine items from the list, it is considered as severely materially deprived. As mentioned earlier in the introduction, our indicators measure different aspects of socio-economic deprivation, therefore we check if they overlap. Figure 4 presents two combined indicators: the percentage of youth living in material deprivation and the percentage of youth living under poverty line. As we can see, the worst situation occurs in Bulgaria, Greece, Hungary and Romania, where both indicators are far above the average for the European Union. Youth in Denmark, Spain or Sweden, although they are at a quite high risk of poverty, they are not at the risk of material deprivation. Moreover, in Scandinavian countries the spell of poverty does not take long (Ayllón 2015). Young people in Poland, Lithuania and Croatia seem to be in a moderate situation, very close to the EU28 average. The lowest risk of being simultaneously under poverty level and materially deprived occurs in the Netherlands.

In most of the EU countries youth have higher material deprivation rates than people aged 30-59. Only in Latvia the older population is more disadvantaged in this respect than young people (3 pp. of difference). In Austria, Germany, Estonia, Lithuania and Luxembourg there are no statistically significant differences between youth and prime age cohort.
Objective indicators presented above do not capture all dimensions of poverty. As it was shown in previous studies, also the subjective feeling of economic difficulty matters as it has the profound effect on person’s well-being and health (Catalano, 1991; Patel & Kleinman, 2003). As we can see in Figure 5, in many EU countries people are not very optimistic about their financial situation. The value of subjective measure of financial difficulties exceeds values for objective indicators. On average 36% of youth in the EU live in households, which report difficulty in making ends meet. The highest share of these households occurs in Greece (above 80%), Bulgaria, Cyprus, Croatia and Hungary. In these countries (except Cyprus), the risk of poverty indicator is also above the EU28 average. The lowest share of youth living in households reporting financial distress is observed in Finland, Sweden and Germany (less than 9%).

Similarly, to previous results presented above the share of households making ends meet with difficulty is in general lower among people aged 30-59 than 16-29 years old. Different pattern is observed in Estonia and Latvia, where prime age people report financial distress more often than younger cohort (difference for Estonia 7 pp., and for Latvia 2 pp.).
Summary

In this chapter we presented the main statistics on youth financial and material situation in 2013/2014. In most of the EU28 countries young people are at higher risk of poverty, material deprivation and financial distress than prime age population. However, in the Netherlands, Malta, Estonia, Latvia and Lithuania youth are in a better situation, as they are at slightly lower risk of poverty than people aged 30-59.

The worst situation occurs in Greece and Romania. Also in Denmark, Italy, Spain, Bulgaria and Portugal the share of youth under the poverty line exceeds 20%. The lowest rate of youth at the risk of poverty is in the Netherlands.

The risk of poverty and other measures of financial difficulties overlap in Greece, Romania, Hungary and Bulgaria. In Denmark and Sweden, although the risk of poverty is relatively high, young people are not unduly affected by the material deprivation.

For all countries, subjective measure of financial distress takes higher value than objective measures. This tendency is similar among youth and prime age population. Thus it seems, that people in EU are not satisfied with their financial situation.
Chapter 2: Risk groups and cumulative disadvantages

Results provided in the first EXCEPT working paper (Rokicka et al. 2015) identified certain personal characteristics that are related to disadvantages at the labour market. It was shown that educational attainment, gender and migration status play an important role in explaining differences in labour market participation of young people in Europe. In general, the lowest educational attainment the highest risk of labour market exclusion. Although differences between gender were not very significant, the situation of men has worsened since the financial crisis, while more important for the individual labour market situation was the immigration status. In a following chapter, we follow this structure presenting the distribution of poverty indicators by risk groups. We examine whether these young people, who are at the higher risk of labour market exclusion, are also at the higher risk of poverty, thus they need to be an object of a more intensive inclusive policy.

Education and risk of poverty

Although the risk of poverty is associated with educational attainment the direction of causal association is not clear here. On the one hand, youth with lower levels of education are at the higher risk of being NEET or unemployed (as has been showed in WP1 working paper), and this can lead to higher risk of poverty, due to limited income. On the other hand, lower educated youth very often have less privileged family background. Consequently, their low educational attainment may be caused by family poverty.

Youth with lower levels of education are rather in the minority among all young people who ended education. In addition, Eurostat (2015) statistics show that this share has been falling for recent years. According to EU-SILC data the highest share of youth with no more than lower secondary education occurs in Spain (45%), Portugal (43%) and Malta (40%), the lowest in Slovakia, Croatia and Poland (below 8%), while average for EU28 countries equals 20%. In the same time, these youth are overrepresented among poor. In Malta and Portugal low educated youth represent more than 70% of the youth facing the risk of poverty. Very high shares (above 50%) occur also in Belgium, Hungary, Romania, Luxembourg, Bulgaria and Spain.

Poverty rates differ considerably by educational attainment. For all EU countries except the Netherlands, these differences are statistically significant.
According to our data, youth from Bulgaria and Slovakia with no more than lower secondary education have five times a higher risk of being in poverty than their counterparts with upper secondary education. Very large differences with respect to poverty risk between these two educational groups occur also in Czech Republic, Hungary and Malta. In all of the EU countries, young people with tertiary education are in a much better situation than the rest of youth. For example, higher educated young Romanians have more than nine times lower risk of being in poverty than young people with upper secondary education. While the difference in Austria, Netherlands and Sweden is negligible.

Furthermore, youth with lower and upper secondary education more often live with their parents than higher educated youth. Thus, for these young people family background seems to be a very important factor influencing their risk of poverty.

Looking at the indicator of material deprivation, we can notice that lowest educated youth experience worse living conditions that their more educated counterparts. More than 50% of youth with this level of education cannot afford many durable goods in Greece, Romania, Hungary and Bulgaria. On the other hand, there are countries like Luxembourg, the Netherlands or Austria, where the shares of materially deprived youth are very low and there are not large differences between educational groups.
As it was shown in the previous section, subjective feeling of inability to make ends meet is more widespread in population than we would think based on objective measures of poverty. Likewise, this tendency is also visible among educational groups. Generally, respondents, regardless their level of education, report more frequently financial dissatisfaction than their objective measure of income and poverty would indicate. In seventeen of the EU countries, more than 50% of lower educated youth live in households which make ends meet with difficulty or great difficulty. In Greece, Croatia and Bulgaria this rate exceeds 90%. Youth with tertiary education, whose objective financial situation in all of EU28 countries is quite good, are also concerned about their ability to make ends meet: in Cyprus about 50% of highly educated youth live in households, which report financial difficulty, and respectively 70% in Greece. Contrary, in Germany, Finland, Luxembourg, Denmark and Austria the percentage of inability to make ends meet for tertiary educated youth does not exceed 5%. 

Source: own calculation based on EU-SILC.
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Figure 8: Inability to make ends meet among young people in EU by educational groups (2013-2014)

Source: own calculation based on EU-SILC.

Gender

Our previous research on labour market exclusion (Rokicka et al. 2015) do not indicate substantial differences in labour market participation and insecurity by gender. Similarly, the poverty measures do not vary considerably between men and women. Moreover, even if the gender differences are statistically significant, they are not meaningful. Table 2 below reports the differences between women and man with respect to three analysed indicators of financial and material situation of youth in the EU-28. The highest values among countries are marked in a dark red colour, and the lowest in a dark blue.

The highest risk of poverty among women occurs in Greece, Romania, Denmark and Italy (more than 25%). In Greece and Romania women and men are equally affected by the risk of being poor, while in Denmark and Italy men are in a slightly better position. The lowest rate occurs in the Netherlands, and there is no difference between men and women in respect to risk of poverty. Women are at significantly lower risk of poverty than men in Spain, Finland and Ireland (difference of 5 pp.)

The largest difference between women and men in respect to material deprivation, but also to difficulties of making ends meet occurs in Denmark (6 and 10 pp. respectively). Young women are also more affected by material deprivation than men in Czech Republic, Spain and the UK. In case of financial situation men are less optimistic than women. Only in Denmark women report financial distress more often than men.
Table 2: Mean differences in the risk of poverty, material deprivation and difficulties of making ends meet indicators between sexes (higher value = red, lower value = blue)

<table>
<thead>
<tr>
<th>Country</th>
<th>At risk of poverty</th>
<th>Material deprivation</th>
<th>Difficulties of making ends meet</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Female (%)</td>
<td>Female-Male</td>
<td>Female (%)</td>
</tr>
<tr>
<td>AT</td>
<td>17.9</td>
<td>5.0</td>
<td>5.6</td>
</tr>
<tr>
<td>BE</td>
<td>17.5</td>
<td>6.1</td>
<td>7.9</td>
</tr>
<tr>
<td>BG</td>
<td>23.9</td>
<td>3.0</td>
<td>46.8</td>
</tr>
<tr>
<td>CY</td>
<td>15.6</td>
<td>.</td>
<td>18.6</td>
</tr>
<tr>
<td>CZ</td>
<td>11.2</td>
<td>3.7</td>
<td>11.2</td>
</tr>
<tr>
<td>DE</td>
<td>16.6</td>
<td>.</td>
<td>6.6</td>
</tr>
<tr>
<td>DK</td>
<td>26.3</td>
<td>4.3</td>
<td>9.4</td>
</tr>
<tr>
<td>EE</td>
<td>14.2</td>
<td>2.3</td>
<td>6.7</td>
</tr>
<tr>
<td>EL</td>
<td>31.2</td>
<td>.</td>
<td>28.5</td>
</tr>
<tr>
<td>ES</td>
<td>21.3</td>
<td>-2.1</td>
<td>10.1</td>
</tr>
<tr>
<td>FI</td>
<td>11.4</td>
<td>-2.4</td>
<td>2.9</td>
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<td>FR</td>
<td>17.7</td>
<td>.</td>
<td>6.3</td>
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<td>HU</td>
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<td>37.4</td>
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<tr>
<td>IE</td>
<td>10.6</td>
<td>-5.3</td>
<td>13.6</td>
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<td>IT</td>
<td>25.3</td>
<td>2.2</td>
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<tr>
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<td>12.9</td>
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Source: Own calculation based on EU-SILC.

Immigrants status

Immigrants, according to our previous study have slightly worse position on the labour market than native recent school leavers. This finding was also confirmed by Eurostat analysis entirely dedicated to immigrants (Albertinelli et al. 2011). In this section, we will verify to which extent young immigrants differ in their objective and subjective financial situation from the native-born.

Results presented in the following section should be interpreted with caution. The EU-SILC is not a survey designed for the analysis of the migration. Thus, data have
several limitations, such as: population coverage, non-response, sample size. Therefore, we limit our analysis only to those countries with sufficiently large number of cases. Furthermore our dataset does not allow for analysis of second generation of migrants (it is possible only if a respondent lives in parental household, which is not random), which as showed by previous studies also experience financial disadvantages (Albertinelli et al. 2011).

Figure 9 present the poverty rate by migration status. As we can see, young people born abroad are at higher risk of poverty, and in most of the countries this difference is statistically significant. In Belgium and Slovenia young immigrants have three times higher risk of being poor than the rest of the youth. Very high difference occurs also in Finland, France and Netherlands. Only in Malta, UK and Germany there is not significant difference between natives and youth born abroad in respect to poverty rates.

Figure 9: Risk of poverty among young people in the EU by migration status (2013-2014)

Source: own calculation based on EU-SILC.

Immigrants in Greece are the most materially disadvantaged: more than 60% of them lives in materially deprived households, while only 25% of native Greek experience this. In general, young people who were born abroad are more likely to be materially deprived than young natives. Only in Luxembourg, Malta, UK and Croatia there is not significant difference between immigrants and natives in this respect.
Figure 10: Material deprivation among young people in the EU by migration status (2013-2014)

Source: own calculation based on EU-SILC.

In majority of analysed countries immigrants are also more likely to live in households, which have difficulty to make ends meet. However, the differences are not statistically significant in Luxembourg, Austria, Ireland, Portugal and Cyprus. Surprisingly, in Malta and Croatia, youth born abroad report less financial distress than native-borne.

Figure 11: Inability of make ends meet among young people in EU by migration status (2013-2014)

Source: own calculation based on EU-SILC.

Age groups and living with parents

The risk of poverty varies by age. Children are the most affected by poverty, followed by youth and people of retirement age (Aassve, Iacovou, and Mencarini 2006). Almost in all EU countries younger youth – people aged 16-24 are at a higher risk of poverty than older youth (25-29). 25-29 year-old are more likely to be employed and to have their own earnings. It is worth remembering that in our analysis we focus only on youth
who are not in education, therefore, younger youth has on average lower educational attainment that the older cohort, which can reinforce the disadvantages.

Figure 12: Risk of poverty among young people by age group (2013-2014)

Only in Austria older youth have slightly higher risk of poverty than their younger counterparts. In Malta and Germany there is no do not vary significantly. In the rest of the EU countries, the youngest cohort is more likely to be at the risk of poverty than the older one. In addition, younger youth live in materially deprived households more often, and report more often financial distress than people aged 25-29.

Figure 13: Risk of poverty among young people by living arrangement (2013-2014)

Source: own calculation based on EU-SILC.
Living in the parental household should protect young people against severe poverty. In most of the EU countries there is such tendency. Across countries, the largest difference in poverty rates between those living at parental home, and those who left are in Austria and Denmark (difference of 18 and 24 pp respectively). Yet, in Ireland, Portugal, Spain, Greece, Estonia and France this differences is not statistically significant. What is interesting, in Czech Republic, Latvia, Poland and Romania youth, who live with their parents, are at a higher risk of poverty. It is possible, that in these countries the decision to leave the parental home is highly associated with economic sufficiency, and those, who still live with parents are less financially independent and successful.

**Summary**

In this chapter we presented the distribution of poverty indicators by risk groups identified in previous analysis (WP1).

Our analysis indicates that level of education is the most important factor differentiating financial and material situation of youth in EU countries. Graduates with no more than lower secondary education are at a higher risk of poverty, material deprivation and financial distress, than better educated youth. The most pronounced difference occurs in Bulgaria and Slovakia, where lower educated youth have five times higher risk of being poor than youth with upper secondary education. In the Netherlands, this difference is quite negligible.

Gender does not play a significant role as educational attainment. Women more often live under poverty line than men. However, the difference between sexes is not considerable. On the other hand, women report less often than men inability to make ends meet.

Youth immigrants face more difficulties on the labour market. They are also more vulnerable to the poverty and material deprivation. In Belgium and Slovenia, they are at three times higher risk of poverty than their native-born counterparts. There are also considerable differences between youth born-abroad and native born in respect to material deprivation. In Greece more than 60% of these youth are materially deprived. They also more often report financial difficulties than natives, except Croatia and Malta, where native-born feel more insecure.

It seems, that age and living arrangements also matters for risk of poverty. Younger youth aged 16-24 are more likely to be poor than older youth in most of the EU countries. Youth who live with parents seems to be protected against poverty in many EU countries, except Czech Republic, Latvia, Poland and Romania, where young people who live on their own are in a better situation.
Chapter 3: Dynamics of poverty and material situation

Previous results indicated that on average in the EU more than 15% of young people live in poverty. Additionally, youth poverty rates among EU countries vary a lot from around 5% in Netherlands to above 30% in Greece. Cross-sectional statistics allow us to measure poverty only at a given point in time. Yet, to determine to which extent this poverty experience at youth is detrimental, it is also important to investigate the dynamics of it. Two additional reports will be devoted to medium and long-term analysis of the socio-economic consequences of the insecure labour market positions, hence just a short introduction to poverty dynamic is provided here.

There are several economic concepts which can be useful in describing the poverty dynamic: chronic poverty, life-course poverty and intergenerational poverty (Moore 2005). The chronic poverty is defined by very low transition from poverty, and long-term deprivation. Life course poverty is more related to particular life events, such as leaving school, starting work, leaving the parental household, having children, etc. which temporary can alter the vulnerability to poverty. The concept of intergenerational poverty is based on the assumption that poverty is transferred from one generation into the next via different channels (capital, human capital, values, norms, etc.). Although analysis of the poverty transition matrix can not provide definite distinction between those three types of poverty it can indicate if it is more of a transitional stage related to life events or if it is related to poverty trap, and a long-term exclusion.

Figures below display the results from a transition matrix based on longitudinal version of the EU-SILC data from 2013. The last version of the microdata available for this dataset does not cover all 28 Member States. We do not have information from Germany and Romania, and additionally due to a very small sample size in several countries we are not able to report their results.

A poverty threshold was based on the cross-sectional sample, which is representative of the country population, as a 60% of median of yearly equivalised household income. Then this information was used against information about equivalised household income to define a poverty status for each respondent from a longitudinal dataset at a given year.

Figure 14 presents poverty dynamics, as a percentage of those who being under poverty line in a given year were also poor in the subsequent year (an average for 2010-2013). Poverty mobility varies widely across countries. In the UK there is the highest out of poverty mobility, since only 40% of poor remained in poverty in the next year, while 60% of youth moved up to the higher income groups. The contrary is observed for Croatia, Hungary and Portugal were more than 70% of poor remained poor in the subsequently year. We could expect that youth poverty in countries in the
low end of the distribution (UK, CZ, FR; Figure 14), is largely transitional and more related to life-course stage (short duration), while in countries of the opposite side of the graph the poverty of youth is more related to chronic poverty (long duration, lower chances of transition out of poverty). Not only an incidence but also duration and time spent in poverty could have implication for future outcomes, therefore low out of poverty mobility of young people is a real concern, as it reflects some deeper, structural problems of certain economies.

**Figure 14: Poverty yearly transitions for young people (2010-2013)**

![Bar graph showing poverty transitions](image)

*Source: Own calculations based on EU-SILC longitudinal UDB 2013-2, notes: DK, FI, IE, LU, NL, SE- omitted due to sample size.*

What is even more worrying is out of poverty mobility among unemployed, being much lower than among general youth population. Out of poverty mobility for unemployed youth also varies widely across countries. Again, the lowest chances for an unemployed to remain in poverty are in the UK, while the highest in Portugal, Croatia, Slovakia, and Hungary. In countries with very low, overall out of poverty mobility a difference between employed and unemployed poverty mobility is not so pronounced. The unemployed are much more disadvantaged in this respect in countries with moderate and high overall, out of poverty mobility.

Figure 15 provides complementary information about poverty dynamics, displaying individual poverty trajectories grouped by country. Due to sample attrition, we used for this analysis only those individuals, which took part in at least three waves of EU-SILC (between 2011 and 2013). The graph allows us to observe both out and into poverty transition on the time scale.

Looking at the UK graph we can see that just about half of those who were in poverty in 2011 remained in poverty in 2012, and even less of them in 2013. In 2012 the new entrances to poverty were numerous, but again just about half of those who became
The short-term economic consequences of insecure labour market positions in EU-28

poor in 2012 remained in poverty in the subsequent year. A different picture arises when we look for example at Hungary. Among those who were poor in 2011 majority remained in the lowest income group also in 2013. Contrary to the UK, there were not so many new transitions to poverty in 2012, but also very few transitions out of poverty in this three years period.

Figure 15: Poverty sequence for 2011-2013 by country

Source: Own calculations based on EU-SILC longitudinal UDB 2013-2.

Poverty line is country specific, and it is a relative measure of the financial situation in the given country, therefore it is not the best measure for comparing different countries. An indicator for material deprivation is much more homogenous across countries. Therefore, in addition to poverty dynamics, we also investigate material deprivation dynamics.
In Spain, Slovenia, and Cyprus the mobility out of material deprivation is high: the situation of more than 60% of young people who lived in materially deprived household improved in a subsequent year. The opposite is true for Bulgaria, Hungary, Poland and Croatia, where only 30% of those who experienced material deprivation were able to escape it in the subsequent year. Figure 16 indicates that there are countries (Bulgaria, Hungary, Croatia) where low out of poverty mobility overlaps with low out of material deprivation mobility. Not only the youth in these countries are trapped in poverty but they also live in a conditions severely affected by a lack of resources.

Summary

In this section, we focus on the poverty dynamics of youth between 2010 and 2013. We found that the out of poverty mobility varies a lot across Europe. In the UK, the Czech Republic and France youth seem to experience just a temporary decrease of income that leads to life-course poverty, while in Croatia, and Hungary the chance to escape poverty are rather low: on average less than 30% of poor youth move out of poverty in the subsequent year.

According to our expectation, the out of poverty mobility of unemployed is much lower than among general youth population. However, the country pattern of out of poverty mobility is the same as in general youth population: again, the lowest chances for an unemployed to remain in poverty are in the UK, while the highest in Portugal, Croatia, Slovakia, and Hungary. What is worrying is the coexistence of low out of poverty
mobility with low out of material deprivation mobility. In these countries economic disadvantages reinforce, and youth are trapped in poverty, and severe material deprivation.
Chapter 4: Short-term financial and material consequences of labour market exclusion in EU-28

Poverty rates by employment status

We are now turning into differences in poverty by the employment status. First, we present the percentage of young unemployed people living below poverty line (Figure 17), while Figure 18 shows the unemployed to employed ratio of poverty risk (calculated as percentage of poor among unemployed youth divided by the percentage of poor among employed youth).

As we know from previous section the risk of poverty varies greatly by countries, additionally it also varies by activity status. Not unexpectedly, young unemployed people are more likely to be poor than the ones who work, and this holds for all EU-28 countries. Surprisingly, the highest poverty level for unemployed youth is in Germany, which is at the same time one of the countries with the lowest unemployment rate (Rokicka et al. 2015).

The country with the most noticeably poverty gap between unemployed and employed youth is Czech Republic, followed by Slovakia, where the risk of poverty is more than ten times higher for an unemployed than an employed person. The smallest differences in this respect are in Romania, and in Southern European countries: Greece, Spain, and Italy, where the poverty rate is higher than an EU average.

It is also worth mentioning that in some countries, even those young people who have jobs are in the risk of poverty, for example in Romania 22% of working youth are still in the risk of poverty.
The short-term economic consequences of insecure labour market positions in EU-28

Figure 17: Poverty rates among young unemployed (2013/2014)

Source: Own calculations based on EU-SILC cross-sectional UDB 2014-1. Notes: DK, NL omitted due to sample size.

Figure 18: Ratio of poverty rates of unemployed versus employed young people (2013/2014)

Source: Own calculations based on EU-SILC cross-sectional UDB 2014-1.
We now consider how the poverty is linked to different personal and family characteristics. To do this, we apply a logit model in which our dependent variable is coded one for those who are at or below poverty line and coded as zero for those above this threshold. The analysis is done separately for each country on the pooled data for 2013 and 2014. In our models, we control for gender, age, education level (Edu1: lower secondary or below, Edu 3: tertiary, comparison category Edu2: upper secondary), immigrant status (born outside EU or not), household type: living alone or with others, family responsibilities (having own child) and household work intensity. Household work intensity is defined according to the Eurostat definition\(^1\).

Table 3 presents the direction of the correlations. Due to characteristics of logit distribution, the size of coefficients itself do not say much. Thus, for clarity reasons, we decided to show only the sign of the statistically significant coefficients.

As the descriptive part shown, a young person risk of poverty is affected by his/her employment status. In nearly every countries of the EU unemployed persons are at higher risk of poverty than their working counterparts. Only in Belgium, France, Netherlands and Sweden this relationship is not statistically significant, while controlling for other family and personal characteristics.

In all cases, young people are far more likely to be poor if they live in household with low work intensity. It indicates that especially in the case of young people whose living arrangements might differ a lot, it is also important to consider the household characteristics. The highest work intensity of household the lowest chances of being in poverty.

Living arrangements are also captured by the other variable – dummy for those living alone. In majority of EU-28 young people who left parental home and live alone are more likely to be under the poverty line threshold that those who live with a partner or parents.

We also checked the differences in rates of poverty between those living alone or with others (numbers not presented here) and the highest discrepancy is in the Scandinavian countries: Denmark, Finland, Sweden (for example in Sweden: poverty rates: 13% among living with others versus 36% among living alone). The differences are lowest in Central-Eastern and Southern Europe, where there are only few people who left the parental home, and live in poverty. At first, this pattern seems to be counter to what one may expect: we might wonder why so many young people in Scandinavian country leave parental home while this increases the chances to be poor? The most

\(^1\) For each working age person (aged 18 to 64) in the household that is not classified as a dependent child, two figures are computed, using the calendar of activities of the previous year: a) the number of months in the previous year which the person has given information about his/her activity status (the ‘workable’ months) b) the number of months in the previous year for which the person has been classified as ‘at work’
The short-term economic consequences of insecure labour market positions in EU-28

convincing explanations are probably the cultural and social norms, which lead to early home leaving in the Scandinavia; however, the overall economic situation of those countries might also play a role. The poverty line is country specific, and it depicts those with the lowest income within the country, being poor in Finland, Denmark and Sweden might be a different experience as being poor in Romania, or Bulgaria (countries with the lowest GDP in the EU-28). While we compare the poverty rate statistics with the indicator of material deprivation, we can see that in all Scandinavian countries the material deprivation of unemployed is far below the EU average. Being poor in those countries does not necessarily means living in the materially deprived household (more information in the next section).

Results from Table 3 confirm that another vulnerable youth group is that of the young persons living with children. In 22 of the EU-28 countries we have analysed, having a child increases the chances for a person to be at the risk of poverty. As expected, a higher level of education protects from being in poverty while just basic education increases chances to be poor (in comparison to having secondary education). In 15 of EU-28, immigrants are also more prone to be at a risk of poverty than the natives.

To sum up our analysis the most vulnerable to poverty are those young people living in the household of low work intensity, unemployed and living alone.

*Table 3: Direction of correlation between poverty and personal and household characteristics (based on logit model estimation for 2013/2014)*

<table>
<thead>
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<th>N</th>
<th>Unempl</th>
<th>Female</th>
<th>Age</th>
<th>Edu1</th>
<th>Edu3</th>
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Material deprivation by employment status

Having provided a detailed description of poverty rates across different employment status, we now focus on the material deprivation. Figure 19 describe the percentages of young people living in the severely deprived household by their employment status. On average, in EU-28, 8% of working youth declared living in severely materially deprived households. Countries in which this proportion is larger belong mainly to groups of New Member States and Southern Europe countries. In Romania, 29% of employed young people still experience material deprivation, while in countries as Sweden, Finland, Luxembourg, and Netherlands the problem among the working population is almost not existing (only 1% of employed youth live in deprived households).
The short-term economic consequences of insecure labour market positions in EU-28

Slightly different pattern emerges from the comparison of deprivation indicators among unemployed from EU-28. Still, the highest rate of deprivation is in the group of New Member States, being especially high in Bulgaria, Hungary, and Romania where more than 50% of unemployed young people live in materially deprived households. However, above the EU-average level are also unemployed from the UK, and Germany.

Using a logit regression, we also checked if there is statistically significant relation between living in deprived household and personal and household characteristics. The model uses the same independent variables as the previous one, and results are presented in the same manner.

The analysis done separately for each of EU-28 revealed that employment status of the respondent is associated with material deprivation only in six countries: Bulgaria, Romania, Germany, Greece, Finland, and Sweden. This is a substantial difference in comparison to the analysis of poverty line, where in 24 cases unemployment was associated with higher likelihood to live in a poor household. This finding is important, and it indicates that the two measures of economic situation (poverty line, and deprivation indicator) are not homogenous, being rather complementary and should be used jointly to describe multidimensional aspects of economic disadvantages. A material deprivation indicator depicts rather a permanent financial situation of the household, while a poverty line is more related to a current/last year economic situation of the household. Therefore, it is understandable that youth unemployment has a larger effect on the current economic situation of their household (poverty line) than on their permanent financial situation (material deprivation).
Looking at the other characteristics we find that higher work intensity of the household in nearly all analysed countries is associated with lower material deprivation. Interestingly, an education attainment is an important indicator of material deprivation, and the association is observed in all countries apart from Luxembourg.

### Subjective financial situation by employment status

On average in the EU, 28% of young employees declared that their household is managed with difficulty, while, as expected, for unemployed this figure is higher and
reached almost 54%. Both for employed and unemployed the rates of difficulty making ends meet vary considerable across countries. Working young people, who reported financial difficulties, were the most numerous in Greece, Cyprus, Croatia and Bulgaria, where more than 50% of them expressed the high level of income inadequacy and dissatisfaction. On the other side of the distribution are employed respondents from Scandinavian countries: Finland and Sweden: less than 5% of them declared that their household managed with difficulty (Figure 20). The gap in perceived difficulty in financial situation between unemployed and employed young people is smaller in countries where the overall financial dissatisfaction is higher. For example, in Greece a difference between rate of financially dissatisfied among unemployed and employed differs only by 15%, while this gap is much bigger in Finland, Sweden and Germany.

*Figure 20: Subjective financial situation by employment status (2013/2014, % of respondents who declared that they make ends meet with great difficulty or difficulty)*

We also checked the association between employment status and perceived difficulty to making ends meet controlling for other household and personal characteristics. Table 5 presents the direction of the association for the statistically significant results of the logit model.

*Table 5: Direction of correlation between subjective financial situation (ends meet) and personal and household characteristics (based on logit model estimation for 2013/2014)*

<table>
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<th>Unempl</th>
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<th>Age</th>
<th>Edu1</th>
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</table>
Financial distress is a dichotomous variable, which takes the value of one if the respondent lives in a household where it is difficult/highly difficult to make ends meet, and the value of zero otherwise.

In 14 countries out of the EU-28 unemployed are more likely to live in a household with financial difficulties than their working counterparts. Results based on the subjective measures of financial situation are somehow in between those reported for poverty measures and material deprivations. For fewer countries than in the first logit regression (Table 3, we found a statistically significant association between being unemployed and our dependent variable. Nevertheless, the direction of the relationship remained the same.

Again, the most common predictor of perceived income inadequacy is work intensity of the household (statistically significant in all regressions). Similarly, to the previous specifications, we also found that indicators of educational attainment are closely related to our dependent variable (here: subjective financial situation).
Summary

In the majority of EU-28 countries young unemployed people are more likely to be poor than the ones who work, and this holds also after controlling for personal and family characteristics (except Belgium, France, Netherlands and Sweden, where regression coefficients are not statistically significant). The country with the most noticeably poverty gap between unemployed and employed is the Czech Republic, and Slovakia, where the risk of poverty is more than ten times higher for an unemployed than for an employed person.

Almost 50% of unemployed from certain New Member States (Bulgaria, Hungary, and Romania) live in materially deprived households. Moreover, in some New Member States employment does not translate into good material situation, in Romania almost 30% of employed youth still experience severe material deprivation, while in Scandinavian or Benelux countries it is almost a non-existence issue.

A slightly different picture arises while looking at subjective financial situation of young people from the EU. Employed who reported financial difficulties were the most numerous in Greece, Cyprus, Croatia and Bulgaria, (50% are not able to make ends meet), in contrary to employed respondents from Scandinavian countries: where less than 5% of them declared that their household managed with difficulty.

The gap in perceived difficulty in financial situation between unemployed and employed young people is smaller in countries where the overall financial dissatisfaction is higher (Southern Europe) and larger in Scandinavian countries and Germany.
Chapter 5: Short-term financial and material consequences of insecure labour market positions in EU-28

Financial and material situation by insecure employment

In the first introductory working paper of the project “Social Exclusion of Youth in Europe: Cumulative Disadvantage, Coping Strategies, Effective Policies and Transfer, EXCEPT”, we identified the two most common indicators for insecure employment: temporary contracts and part-time employment. In this section, we will evaluate the financial and material situation of youth by those forms of insecure employment.

While approaching this analysis, we have encountered several data limitations. Due to the structure of the EU-SILC data which reports the income from the previous year but provides no information about a type of contract hold in the previous year, we are not able to construct indicators of poverty rate, material deprivation, and subjective financial situation by the permanency of the contract. We will instead compare the current earnings, and satisfaction from financial situation between employees working on permanent versus temporary contracts. In contrary to indicators used in the previous section, those are constructed at the individual level.

Slightly different issues arise while using indicators for part-time employment. Although the EU-SILC provides information of whether a respondent worked part-time or full-time, unfortunately, during an income reference period the sample of part-time workers is too small for calculation of the poverty and material deprivation statistics for each country. We therefore decided to show information on country level only for few cases, where the number of observation allows us to do so.

Earnings are a major source of income, especially for young people who are less likely to have other sources of income. Differences in earnings can be translated into differences in overall income that can lead to material and financial disadvantages later. Thus, we focus now on the differences between hourly wages of temporary versus permanent contract employees. Table 6 displays the median value of hourly earnings. In all countries for which we had information, young people with temporary contracts earn less than their counterparts on permanent jobs. The largest wage gap appears in Hungary and Poland.
The short-term economic consequences of insecure labour market positions in EU-28

Table 6: Hourly earnings by type of contract (2013, median in euro)

<table>
<thead>
<tr>
<th>Country</th>
<th>Permanent contract</th>
<th>Temporary contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
<td>12.5</td>
<td>12.3</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>10.9</td>
<td>10.5</td>
</tr>
<tr>
<td>Greece</td>
<td>5.2</td>
<td>5</td>
</tr>
<tr>
<td>Portugal</td>
<td>4.6</td>
<td>4.3</td>
</tr>
<tr>
<td>Austria</td>
<td>12.5</td>
<td>11.3</td>
</tr>
<tr>
<td>Croatia</td>
<td>3.9</td>
<td>3.5</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>1.8</td>
<td>1.5</td>
</tr>
<tr>
<td>Italy</td>
<td>9.8</td>
<td>8.1</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>18.8</td>
<td>15.1</td>
</tr>
<tr>
<td>Poland</td>
<td>3.4</td>
<td>2.7</td>
</tr>
<tr>
<td>Hungary</td>
<td>2.7</td>
<td>2.1</td>
</tr>
</tbody>
</table>

Source: Own calculations based on EU-SILC cross-sectional UDB 2014-1. Sorted according to the size of the gap (from down to top).

We might expect that this difference in wages is the result of a different human capital endowment and other personal characteristics between temporary and permanent workers therefore in the next step using a quantile regression, we check if the association is still present.

Table 7: Quantile regression of hourly earnings for median

<table>
<thead>
<tr>
<th>Country</th>
<th>B coefficient</th>
<th>Standard error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
<td>-0.166</td>
<td>0.448</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>-0.597</td>
<td>0.386</td>
</tr>
<tr>
<td>Greece</td>
<td>-0.129</td>
<td>0.132</td>
</tr>
<tr>
<td>Portugal</td>
<td>-0.174</td>
<td>0.120</td>
</tr>
<tr>
<td>Austria</td>
<td>-0.725*</td>
<td>0.312</td>
</tr>
<tr>
<td>Croatia</td>
<td>-0.651***</td>
<td>0.110</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>-0.232**</td>
<td>0.076</td>
</tr>
<tr>
<td>Italy</td>
<td>-1.250***</td>
<td>0.131</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>-2.446**</td>
<td>0.778</td>
</tr>
<tr>
<td>Poland</td>
<td>-0.306***</td>
<td>0.049</td>
</tr>
<tr>
<td>Hungary</td>
<td>-0.442***</td>
<td>0.053</td>
</tr>
</tbody>
</table>

Own calculations based on EU-SILC cross-sectional UDB 2014-1. Other controls include: age in years, dummy for lower than upper secondary education level, dummy for higher than upper secondary education level, dummy for born outside EU. * p<0.05, ** p<0.01, *** p<0.001.

While we control for basic personal characteristics such as age, education, gender and immigration status, an impact of having a temporary contract remained negative in all countries, although not always statistically significant. Table 7 presents β coefficients and standard errors from the quantile regressions of hourly earnings on personal characteristics done separately for each country. As we can, see having a temporary contract diminishes the hourly earnings by almost 2.5 Euros in Luxembourg controlling
for personal characteristics, and by 0.30 Euro in Poland, which is slightly less than if we just compare the raw information from the previous table.

Looking at the poverty rates (Figure below, statistics reported only for countries with sufficient number of observation) we see that young people with part-time employment are more prone to live in poor households than their counterparts with full-time employment. Although the raw difference is statistically significant at 0.001 level, while we control for other household and personal characteristics in logit regression of probability to be in poverty, we do not found a statistically significant association between part-time employment and risk of poverty. This result might be explained by the motivation for part-time workers to choose this type of work arrangement. Although on average 60% of young employees are forced to this type of contract, in countries with the highest rate of part-time employment (Benelux), for the majority this is a voluntary choice.

![Figure 21: Youth poverty rates by type of employment (% 2013/2014)](image)

Source: Own calculations based on EU-SILC cross-sectional UDB 2014-1.

Due to sample limitation it is impossible to describe the material deprivation by type of employment and country. As we know from the previous section, on average around 8% of the working youth lived in deprived households, while around 12% of total employees has a part-time employment. These two numbers are small making the cross tabulation extremely case sensitive. Furthermore, in countries with the highest material deprivation rate for employed (some of New Member States), the part-time employment is very rare (less than 5% of youth having this type of contract).

**Subjective financial situation and insecure employment**

To describe subjective financial situation, we use two indicators: the first one, which was used already in the previous sections, defines subjective situation as perceived difficulties to making ends meet. The second indicator was constructed on the basis of the special EU-SILC module and a question which refers to respondent’s
The short-term economic consequences of insecure labour market positions in EU-28

opinion/feeling about the degree of satisfaction with the financial situation of his/her household. The index varies from zero for those not at all satisfied to ten for those completely satisfied.

As shown on the graph below, those working part-time live in a household which reports more financial distress than their counterparts with full-time employment. However, the raw differences are not statistically significant for Greece, Latvia, Poland and Malta.

*Figure 22: Difficulty to make ends meet by type of employment (part-time/ full-type) and country (2013/2014)*

![Graph showing difficulty to make ends meet by type of employment and country](source: Own calculations based on EU-SILC cross-sectional UDB 2014-1.)

We also checked if there is a relationship between living in a household with financial distress and working on part-time contract controlling for other household and personal characteristics. Applying a logit regression, we found that nearly in all countries except Portugal and Malta, this association is not statistically significant. To our surprise, in Malta and Portugal the direction of the association is negative, indicating that young people having a part-time job are less likely to live in a household with financial problems while controlling for gender, age, education, immigrant, household types (as in the previous regressions).

Turning to financial satisfaction between employees with permanent and temporary contracts we cannot find one homogenous pattern (Figure 23). However, in the majority of EU-28 young permanent employees are more satisfied with their financial situation than their counterparts with temporary position, the difference in Denmark, Ireland, and Sweden is not statistically significant.
Summary

In the section we examine to which extent insecurity at the labour market (temporary contracts and having part-time jobs) translates into financial and material situation of youth in the EU. Temporary workers have slightly lower hourly wages than those with permanent contract, and the gap remains even if we control for personal characteristics. However, the small sample sizes do not allow extrapolating these results on all EU countries. On average in the EU, temporary workers are less satisfied from their financial situation than their counterparts with permanent positions, except young workers from Denmark, Sweden and Ireland.

Although descriptive statistics indicate that part-time workers are more likely to live in poor households, after controlling for personal and family characteristics, the association is not statistically significant. Similar pattern occurs when examining the financial satisfaction of young part-time workers from the EU. Although the raw comparison indicates that those with part-time jobs are more likely (than full time workers) to make ends meet with great difficulty, when age, gender, education, immigration status and household type is taken into account the association disappears.
Chapter 6: Impact of the recent economic crisis

The recent economic crisis has led to an increase in the unemployment rate in all EU countries. The most affected group was youth. Their situation on the labour market worsened remarkably comparing to the prime age population (Choudhry, Marelli, & Signorelli, 2012; Parodi, Pastore, Tanveer Choudhry, Marelli, & Signorelli, 2012). In what follows, we present some evidence on the impact of the recent economic crisis on the financial and material situation of young people in EU.

The proportion of youth living at the risk of poverty has increased between 2006/2007 and 2013/2014 in most of the EU countries. Only in the Netherlands, Finland, the UK and Poland young people are in a better position than they were before the economic crisis, while in Czech Republic, Estonia, Luxembourg and Sweden there is no statistically significant rise in value of this indicator. The most serious growth of poverty risk comparing to the 2006/2007 occurred in Greece, Denmark, Spain, Portugal and Slovenia (almost 40%).

At the same time the risk of poverty rose also for prime age population (except Poland, Bulgaria and Ireland), but this increase was not so large as it was for youth. Young people and their households were more affected by the recent economic changes, than the rest of population.

Figure 24: Share of population living in the household under poverty line in 2006-2007 and 2013-2014

In most of the EU countries the share of youth living in households from the lowest income group increased. Before the economic crisis, youth were underrepresented in the first income quintile in Spain, Portugal, Luxembourg, Greece, Slovenia and Hungary, but in 2013/2014 in these countries there are more than 20% of youth in the
lowest income group. In Denmark, where youth always were overrepresented among the poorest, their situation worsened. At the same time, in Sweden, where there was a similar tendency, the share of youth in the lowest income group actually decreased, as in Bulgaria. In Poland, the Netherlands and Germany the difference in poverty rates before and after crisis is negligible.

*Figure 25: Share of youth in first income quintile before and after economic crisis*

Source: own calculation based on EU-SILC.

In many of EU countries youth are now at higher risk of material deprivation, than they were in 2006/2007. In Ireland, at present there are four times more materially deprived youth than before the crisis. In Greece and the UK, this share has tripled. In Finland and Romania there were not significant increases since 2006/2007. On the other hand, in Slovakia, Lithuania, Poland, Latvia and Bulgaria the living conditions of youth have improved since 2006/2007.

*Figure 26: Share of youth in materially deprived households before and after economic crisis*

Source: own calculation based on EU-SILC.
The recent economic crisis enhanced feelings of financial insecurity among people. In most of the EU countries the share of youth living in households, which make ends meet with difficulty increased markedly. Only for Sweden, Lithuania and Romania this change was not statistically significant. In Hungary, Cyprus and Greece the share of youth living in financial insecurity was quite considerable in 2006/2007 and increased to a very high level in 2013/2014. There are only 3 countries where feelings towards the financial situation of the household improved. In Finland, the share of respondents reporting financial difficulties is 1.5 pp smaller nowadays than in 2006/2007, while in Bulgaria and Poland the share of youth living in such conditions decreased even more by about 5 and 11 pp respectively.

**Figure 27: Inability of ends meet before and after economic crisis**

Source: own calculation based on EU-SILC.

**Summary**

In most of the EU countries, youth are in a worse situation than they were before the financial crisis. Their position worsened more remarkably than for the prime age population. Young people are nowadays at higher risk of poverty, material deprivation and they feel less secure with their income than it was in 2006 and 2007. There are also more youth in the lowest income group (1st quintile) after the economic downturn.

However, in some European countries the situation of youth improved. In the Netherlands, Finland, the UK and Poland risk-of-poverty rate decreased. The rate of youth living in severely materially deprived households also decreased in Slovakia, Lithuania, Latvia, Poland and Bulgaria. And for the latter two countries and Finland also the share of youth reporting financial distress shrunk.
Objective and subjective poverty indicators by employment status before and after the crisis

Poverty by employment status before and after the crisis

Above, we describe how the recent economic downturn changed the poverty distribution among young people. In the following section, we would like to verify if an effect of the economic crisis on youth differs depending on their labour market status.

In nearly all EU countries the poverty rates among employed youth increased between 2006/2007 and 2013/2014, while the poverty rates among unemployed increased in this period only in 13 countries. Figure 28 presents the poverty rate before and after the crisis for unemployed. If the country is above the line, more unemployed lived in poverty in 2013/2014 than in 2006/2007. For countries below the line, the opposite is true- the risk of poverty of unemployed is smaller than it used to be before the crisis.

*Figure 28: Young unemployed in risk of poverty before and after the crisis (%)*

There is no visible, uniform tendency that allows saying in which group of countries the crisis touched the unemployed the most. The combination of countries from different economic systems is found on both sides on the line. One uniform finding is that unemployed from Southern Europe are more likely to be poor after the crisis than before.
To be able to assess if the unemployed were disproportionately hit by the crisis, we compare the differences of poverty rates among unemployed and employed in 2006/2007 and in 2013/2014 (Figure 29). In half of the EU-28 the disproportion of poverty between unemployed and employed decreased after the crisis (left side of the graph: Estonia, Bulgaria, France, Czech Republic, etc.), for few countries the gap hasn’t changed (Cyprus, the United Kingdom, Portugal, Romania, Luxembourg, Poland) and for few increased (Belgium, Sweden, Finland, Germany, Greece, Slovak Republic).

Figure 29: Ratio of unemployed/employed risk of poverty before and after the crisis

Source: Own calculations based on EU-SILC cross-sectional UDB 2014-1. Notes: DK, NL are omitted due to sample size.

Material deprivation by employment status before and after the crisis

Similarly, to an analysis of changes in poverty we also analyse how material deprivation changed after the crisis, and how this change differs between unemployed versus employed youth.

Interestingly, a slightly different pattern than in the analysis of poverty emerges. In eight countries (all of them are New Member States), situation of unemployed in respect to living in materially deprived household improved. Between 2006/2007 and 2013/2014 the overall rate of unemployed living in severely deprived households diminished in those countries.

However, the situation of unemployed got worse in other countries. Especially in case of Hungary, Greece, the UK and Germany there were the largest increase in the fraction of materially deprived among unemployed between 2006/2007 and 2013/2014.
As we are particularly interested in the extent to which the changes of material deprivation were disproportionately distributed among unemployed versus employed youth, we also investigate how the deprivation gap between unemployed and employed changed from 2006/2007 to 2013/2014 (Figure 31). In ten countries the gap after the crisis decreased (see at the graph: Ireland to Italy) in seven of them remained the same (Spain to Lithuania) and got larger in five countries, especially in Germany and Slovakia. For the remaining countries due to small sample size we can't report descriptive statistics.

Source: Own calculations based on EU-SILC cross-sectional UDB 2014-1. Notes: Information for SE, NL LU, DK omitted due to small sample size; FI, CZ: 20-49 observations.
Subjective financial situation by employment status before and after the crisis

Subjective financial situation of the unemployed - according to their declarations - has improved between 2006/2007 and 2013/2014 only in six countries: Poland, Denmark, Finland, Sweden, Czech Republic and Estonia. However, in the majority of EU-28 a reverse trend was observed. Among unemployed youth the highest increase of pessimism about the ability to making ends meet after the crisis was reported in Cyprus, Greece, and Spain but also in Germany and Austria.

Figure 32: Young unemployed having difficulty making ends meet before and after the crisis

Source: Own calculations based on EU-SILC cross-sectional UDB 2014-1. Notes: DK, NL, SE- 29-49 observations.

After the crisis the subjective financial distress disproportion between unemployed and employed was greater than before the crisis in Germany, Sweden, Finland, Lithuania and Austria (Figure 33). Interestingly in some of those countries less unemployed were dissatisfied with their financial situation than before the crisis (Germany, Finland), yet the decrease of financial dissatisfaction was even larger among employed, so as a result the gap increased in comparison to 2006.
**Figure 33: Ratio of unemployed/employed living in financially dissatisfied households before and after the crisis**

Source: Own calculations based on EU-SILC cross-sectional UDB 2014-1. Notes: DK, NL, SE-29-49 observations.

**Poverty and subjective financial situation by insecure employment before and after the crisis**

As mentioned before due to relatively rare occurrence of part-time employment in countries with high poverty rates, just for few countries we can present the descriptive statistics.

**Figure 34: Youth poverty rates by type of contract in 2006/07 and 2013/14 (%)**

Source: Own calculations based on EU-SILC cross-sectional UDB 2014-1. Notes: Only information for countries with more than 49 observations is presented.
Among six analysed countries the impact of crisis was not uniform. In Sweden, after the crisis the rate of poverty among both full-time and part-time employees was lower than before the crisis. In contrast, in Spain and France the poverty rates among all workers increased, while the part-time workers were disproportionally hit by the crisis. A situation in Germany remained unchanged, poverty rates before and after the crisis by the employment type haven’t changed.

Indicators of perceived financial situation show a similar pattern. In France and Spain financial distress increased more for part-time than full-time workers. Part-time employees from Belgium, UK, Ireland, Hungary, Cyprus and Greece in 2013/14 were also more dissatisfied with their financial situation than in 2006/07 and in comparison to their working counterparts.

More positive about their financial situation in 2013/14 than in 2006/07 were the young employees from Poland regardless of their employment type, and from Netherlands.

**Summary**

The impact of recent economic downturn on financial and material situation of young people was not homogenous. While in the majority of EU-28 the poverty rates among employed youth have increased since 2006, the unemployed were hit by the crisis only in a half of the European countries (mostly in the Southern Europe). At the same time in ten countries (some New Member States, the UK and Ireland) the situation of unemployed in respect to poverty improved.
A similar pattern was observed in respect to indicators of material deprivation. After the crisis, a deterioration of the living standard of unemployed occurred in Southern and continental Europe, except for eight New Member States. Additionally, a deprivation gap between unemployed and employed changed from 2006/2007 to 2013/2014. In ten countries the gap after the crisis decreased, in seven of them remained the same and got larger in five countries, especially in Germany and Slovakia.

After the crisis subjective financial situation of the unemployed according to the declarations have improved only in six countries: Poland, Denmark, Finland, Sweden, Czech Republic and Estonia, while in the majority of EU-28 reverse trend was observed.

The changes in subjective and objective financial situation of youth in insecure employment were not homogenous. Again in the majority of the EU countries the part-time employees were more distress with their finance nowadays than before the crisis, except young employees in Poland and Netherlands.
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